



# Maricopa County

Internal Audit Department

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July 30, 2009

Max W. Wilson, Chairman, Board of Supervisors

Fulton Brock, Supervisor, District I

Don Stapley, Supervisor, District II

Andrew Kunasek, Supervisor, District III

Mary Rose Wilcox, Supervisor, District V

Under our supervision, the consulting firm of Jefferson Wells reviewed three preconstruction contracts valued at \$4,573,721 for the Downtown Court Tower. The purpose of the reviews was to determine if contractors billed the County in accordance with contract terms and conditions. Jefferson Wells reviewed billings submitted by Gould Evans Associates, LC and Gilbane Construction through December 31, 2008. These reviews were approved by the Board of Supervisors as part of our annual audit plan.

Gould Evans Associates, LC provided architectural engineering services under two contracts. Jefferson Wells reported that Gould Evans invoiced fees in compliance with contract terms and conditions for services provided and the costs incurred. No audit exceptions were identified.

Gilbane Construction provided preconstruction services under a stipulated sum agreement with the exception of allowances for Initial Courtroom Mock-up, Building Information Modeling, and Early Subcontractor Selection Allowances. Jefferson Wells questioned \$3,140 for items being billed before being earned and costs being billed in excess of what was allowed.

Within the following two reports you will find an executive summary, specific information on the areas reviewed, and responses to the recommendations. Jefferson Wells reviewed this information with Public Works, Facilities Management, and the contractors. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in black ink that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

Attachments

**MARICOPA COUNTY  
DOWNTOWN COURT TOWER**

**Gould Evans Associates, LC**

**Audit Report**

**Presented by**



**11811 North Tatum Boulevard, Suite 3076  
Phoenix, Arizona 85028**

## **EXECUTIVE SUMMARY**

### **Engagement Scope and Objectives**

Maricopa County engaged Jefferson Wells to conduct an audit of preconstruction contracts for the Downtown Court Tower facility in Phoenix, Arizona. Maricopa County (Owner) engaged Gould Evans Associates, LC (Gould Evans) to provide Architectural Engineering Services. Gould Evans provided services for the Program Study Phase and Phase 2B.

The total value of the contracts is \$966,742 and \$760,000, respectively. The Program Study is a stipulated sum with provisions for allowances. Phase 2B of the program is a stipulated sum agreement. The scope was from the beginning of the project through December 31, 2008. The following table is a summary of the contract value and the amount invoiced as of December 31, 2008.

<b>Gould Evans Contract Summary</b>			
<b>Description</b>	<b>Contract Value</b>	<b>Amount Invoiced</b>	
<b>Program Study Phase</b>			
Stipulated Sum	\$ 928,942	\$ 920,025	
Allowances	\$ 37,800	\$ 34,553	
Subtotal	\$ 966,742	\$ 954,578	
<b>Phase 2B</b>			
Stipulated Sum	\$ 760,000	\$ 721,000	
<b>Total</b>	<b>\$ 1,726,742</b>	<b>\$ 1,675,578</b>	

### **Summary of Observations**

Gould Evans invoiced in accordance with contract terms and conditions for services provided and the costs incurred. Therefore, there are no audit exceptions pertaining to this audit.

**MARICOPA COUNTY  
DOWNTOWN COURT TOWER**

**Gilbane Construction**

**Audit Report**

**Presented by**



11811 North Tatum Boulevard, Suite 3076  
Phoenix, Arizona 85028

## EXECUTIVE SUMMARY

### Engagement Scope and Objectives

Maricopa County engaged Jefferson Wells to conduct an audit of the preconstruction services contract for the Downtown Court Tower facility in Phoenix, Arizona. The total value of the work is approximately \$2,846,979. The project is described as a not-to-exceed stipulated sum agreement between Maricopa County (Owner) and Gilbane Construction (Gilbane). The construction phase will be under several Guaranteed Maximum Price (GMP) contracts. Maricopa County requested Jefferson Wells to conduct a close out audit of the contract.

The original contract was \$1,971,142; however, change orders were executed increasing the contract value to \$2,846,979. The contract is a stipulated sum agreement with the exception of allowances for Initial Courtroom Mock-up, Building Information Modeling, and Early Subcontractor Selection Allowances of \$193,736, \$120,508, and \$750,000, respectively. The audit scope was from the start of preconstruction through the costs incurred and amount invoiced as of December 31, 2008. Gilbane invoiced \$1,639,239 as of December 31, 2008 and payment application #11. The objective of the audit is to ensure costs were incurred and billed in accordance with contract terms and conditions.

### Summary of Observations

Gilbane invoiced in accordance with contract terms and conditions for services provided and costs incurred with the following exceptions. We noted that (1) Gilbane invoiced for general conditions, fee, liability insurance, and taxes in excess of the contract value, and (2) Gilbane invoiced in excess of the schedule of values for “Accounting Throughout the Design.” The following is a summary of our observations.

Gilbane Summary of Observations			
Ref	Nature of Observation	Amount	Page
1	<b>Billings in Question</b>		
1.1	General Conditions, Fee, Insurance & Taxes	\$ 2,860	3
1.2	Billings in Excess of Schedule of Values	\$ 280	3
	<b>Total</b>	<b>\$ 3,140</b>	

### Assumptions Affecting the Audit

Change Order #1 established an allowance of \$750,000 for Early Subcontractor Selection. A portion of the allowance, \$128,952, was negotiated for Early Procurement labor. We conducted the engagement under the assumption that the Early Procurement labor was an allowance and subject to actual labor based on proposed labor rates and incurred labor hours. We were advised that this was a stipulated sum agreement within Change Order #1. During our review, the records indicated the labor classifications that provided services were not included in the proposals. We recommend that future agreements provide clarity to the type of agreement, and that the contractor provide

evidence that proposed labor classifications are consistent with labor classifications providing the services.

## BILLINGS IN QUESTION

Ref	Observations	Comments
1.1	General Conditions, Fees, Insurance, & Taxes	<p><b>Criteria:</b> The contract provides for mark-ups for general conditions, fee, liability insurance, and taxes for courtroom mark-up costs of \$147,255 and \$5,624. The mark-ups for general conditions, fee, liability insurance, and taxes is 9.75%, 5.75%, 2.212% and 5.40%. The maximum amount that can be invoiced for these mark-ups are \$18,680, \$10,668, \$1,634, and \$9,875, respectively.</p> <p><b>Condition:</b> The costs incurred for courtroom mock-up was \$136,467 and \$5,624 for ISEC and Ryan. Gilbane invoiced 100% of the mark-ups.</p> <p><b>Effect:</b> The mark-ups identified in the contract were invoiced prior to being earned resulting in an overbilling of \$2,860.</p> <p><b>Cause:</b> Gilbane did not adequately review the invoices to ensure they were based on the amount completed.</p> <p><b>Recommendation:</b> Gilbane's invoiced amount should be adjusted based on the percent completed and stored to date. Gilbane should demonstrate the controls that will be implemented to ensure future overbillings do not occur.</p>
1.2	Billings in Excess of Schedule of Values	<p><b>Criteria:</b> The contract provides Gilbane to invoice for some services based on percent complete and meeting specific milestones. The schedule of value for the "Accounting Throughout the Design" was \$32,648.</p> <p><b>Condition:</b> Gilbane invoiced in excess of the schedule of value for "Accounting Throughout the Design" by \$280. The schedule of values was \$32,648 and Gilbane invoiced \$32,928.</p> <p><b>Effect:</b> Gilbane overbilled the project by \$280.</p> <p><b>Cause:</b> Gilbane did not adequately review the invoices to ensure they were based on the amount completed.</p> <p><b>Recommendation:</b> The amount invoiced by Gilbane should be adjusted based on the percent completed and stored to date. Gilbane should demonstrate the controls that will be implemented to ensure future overbillings do not occur.</p>

**AUDIT RESPONSE  
CONSTRUCTION CONTRACTS JULY 29, 2009**

**Issue #1.1**

**The cost incurred for courtroom mock-up was \$136,467 and \$5,624 for ISEC and Ryan. Gilbane invoiced 100% of the mark-ups resulting in an overbilling of \$2,860.**

**Recommendation A:** Gilbane's invoiced amount should be adjusted based on the percent completed and stored to date. Gilbane should demonstrate the controls that will be implemented to ensure future over-billings do not occur.

**Response:** Concur—Completed. Billings have been adjusted to recapture this pre-payment for the demolition of the mock-up improvements until it is actually earned.

**Target Completion Date:** 6/30/09

**Benefits/Costs:** Accurate billings for work completed to date/no cost

**Issue #1.2**

**Gilbane invoiced in excess of the schedule of value for “Accounting Throughout the Design” by \$280. The schedule of values is for \$32,648 and Gilbane invoiced \$32,928.**

**Recommendation A:** The amount invoiced by Gilbane should be adjusted based on the percent completed and stored to date. Gilbane should demonstrate the controls that will be implemented to ensure future over-billings do not occur.

**Response:** Concur—Completed. A budgetary change order has been completed to adjust this line item within the Schedule of Values to accurately reflect the level of work authorized to date by the owner. All future adjustments will require the final completion of all paperwork prior to billing.

**Target Completion Date:** 6/30/09

**Benefits/Costs:** Accurate schedule of values to reflect contract effort authorized by owner/no cost

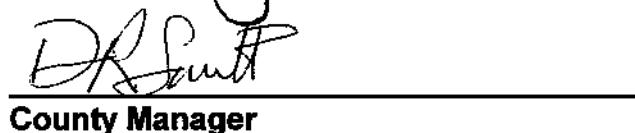
**Approved By:**

  
**Department Head**

7/28/09  
**Date**

  
**Assistant County Manager**

7/28/09  
**Date**

  
**County Manager**

7/29/09  
**Date**